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FOR D FROM AMBASSADOR MICHALAK

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Summary and Introduction

¶11. (SBU) Deputy Secretary Negroponte: Mission Vietnam looks forward to welcoming you to Hanoi. Your visit is well timed to focus Vietnamese leaders on the year ahead, which with focused effort should bring a further deepening in the bilateral relationship. While the relationship is broadening and maturing in a satisfying manner, which bodes well for the future, top-level exchanges like yours are important. Challenges of course remain. Vietnam's critical strategic preoccupation remains China, and this can still complicate our attempts to engage on some issues. The transformation of the economic, social and technological landscape continues to create "space" for Vietnam's people, including a greater ability to be heard, even on some sensitive issues. However, top leaders continue to try to persuade the people of Vietnam - with a significant degree of success -- that stability is the necessary foundation for all advances underway, and the majority appears willing to accept current restrictions of political activity on the understanding that the regime will continue to gradually liberalize.

¶12. (SBU) Vietnam's economic successes have translated into greater international clout, especially in the region, and Vietnam's recent election to a non-permanent seat on the UN Security Council has raised its international profile. Leaders here are not fully sure how to handle all the attention, but understand that the United States has - and is - playing a direct role in creating the conditions for their nation's success. Leaders here are thankful, in particular, for the key technical assistance we've given over the past seven years in reforming the system of economic governance. They want more. We are increasingly able to expand our efforts into the broader areas of good governance and education.

¶13. (SBU) Looking beyond their border, Vietnam's leaders realize that the United States is an important force in maintaining a stable geopolitical environment in which even "small" countries like Vietnam are assured their independence and freedom of action. Domestic considerations play a role as well. As Vietnam continues its rapid economic and social transition, many Vietnamese view the strength of its relations with the United States as a key indicator of how much progress has been made in leaving the dark days of the 1970's and 1980's behind. For these reasons, Vietnam's leaders are committed to continued progress in bilateral relations and will likely speak positively and optimistically about the future of U.S.-Vietnam ties. Differences over human rights remain, however, and lingering fears that the United States supports the overthrow of the current regime continue to complicate the relationship.

¶4. (SBU) One of the drivers for the substantial enhancements in our relationship to date has been top-level visits like yours. Since 2005, there has been one formal visit between involving either the Vietnamese Head of State or Head of Government with President Bush each year. These have definitely proven their worth in spurring positive changes in Vietnam, and in pinning down those in Vietnam who might otherwise work to sidetrack or limit those advances. The White House has invited Prime Minister Nguyen Tan Dung to Washington in 2008. We are working to settle upon dates.

The Economy, WTO and Investment

¶5. (SBU) Vietnam's dynamic economy grew by 8.5% in 2007 and has averaged over 7.5% for the past decade. Per capita annual income jumped from about \$220 in 1993 to over \$800 in 2007. Since 1986, the Vietnamese government has continued to implement an economic reform program known as "Doi Moi" (renovation). As a result, effective market-oriented policies have improved the quality of life for many Vietnamese and have succeeded in slashing the poverty rate from 58% in 1993 to well under 25% today. Increased trade and foreign direct investment have been key drivers in Vietnam's economic growth. Vietnam formally acceded to the WTO as its 150th member on January 11, 2007. While its chief exports are crude oil, apparel, footwear and aquatic products, Vietnam is also increasing its exports of furniture, machinery, cameras, computers, printers, consumer electronics, coffee, rice and other diverse products. The United States is currently Vietnam's third largest overall trade partner (behind China and Japan), but remains its largest export market. The government still needs to meet the challenges of expanding infrastructure, increasing energy production, stamping out corruption, transforming state-owned enterprises (SOEs) into more competitive entities, improving worker and professional skills, implementing WTO commitments, and maintaining the course of reform.

Humanitarian and Technical Assistance

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¶6. (SBU) Since 1995, U.S. Agency for International Development (USAID) programs have provided aid in legal reform, governance, economic growth, HIV/AIDS, environmental protection and disaster prevention. For FY 2007, total U.S. assistance from all agencies was about USD 86.6 million, the bulk of which has gone towards providing health-related assistance, notably in the area of HIV/AIDS treatment and prevention and the fight against avian influenza. Vietnam is one of fifteen countries in the President's Emergency Plan for AIDS Relief (PEPFAR). The United States provided USD 65 million in FY 2007 to expand integrated HIV/AIDS prevention, care and treatment programs. Since 2000, DOD has supported a wide variety of Overseas Humanitarian, Disaster and Civic Aid (OHDCA) projects in Vietnam. Additionally, USPACOM has facilitated multiple donations of excess medical property to various medical facilities throughout Vietnam.

¶7. (SBU) Unfortunately, U.S. assistance in areas other than HIV/AIDS remains very modest at roughly \$5 million for a country of over 80 million people. While small, several U.S. programs are nonetheless having a profound impact here. The "STAR" (Support for Trade Acceleration) program has played a major role in helping Vietnam to reshape its trade and commercial laws and regulations. While initially established to help Vietnam comply with its obligations under the 2001 Bilateral Trade Agreement, STAR also played a critical role in Vietnam's preparations for WTO membership and its broader entry into the global economic system. Another small program, the Vietnam Competitiveness Index (NBCI), is having a real impact on promoting good economic governance domestically by providing a quantitative measure of the impact of governance and rule of law on economic development. Provinces' rankings on the annual VNCI report are closely watched and leaders of provinces that score well have a particularly good chance of being promoted to more senior positions in Hanoi.

¶8. (SBU) Through a combination of Fulbright grants and the Vietnam

Education Foundation (VEF), an innovative program created through legislation to facilitate the training of Vietnamese scientists, the United States sponsors over 100 students yearly for graduate study in the United States. The VEF was established with the unpaid proceeds of loans extended to the old South Vietnamese government. Another important activity is the Fulbright Education Training Program, through which 70 mid-level Vietnamese professionals receive in-country training in economics and public policy each year in a program run by Harvard University.

¶9. (U) I will host an Education Conference in Hanoi January 24-25 to help coordinate and spur forward American efforts in education in Vietnam, broadly defined. The Conference, designed to be a forum for American universities, companies, NGOs and USG-funded educational programs, will provide a forum for participants to generate ideas and action plans about how best to meet three principal goals: a significant increase in the flow of Vietnamese students to the United States, more and deeper linkages between American and Vietnamese universities, and higher quality of human resources in the pool from which American companies in Vietnam hire.

Opportunities for Greater Engagement

¶10. (SBU) Vietnam's UNSC membership creates a window of opportunity to encourage Vietnam to speak out in a constructive way on global security issues, and to help Hanoi distance today's Vietnam from the NAM and Communist-Bloc focus driving its old-style foreign policy. We have been proactive here and in Washington in educating GVN leaders and officials on Burma, North Korea and Iran, where in the past it has been unwilling to engage constructively with us due to "traditional friendship" and non-interference. We are also proactively assisting the GVN to get up to speed on issues beyond the traditional scope of GVN concern, such as Kosovo and Darfur, conditioning GVN officials to look toward us for advice - and constructive support to enhance Vietnam's image as a player -- over the year.

¶11. (SBU) As it raises its profile on the world stage, Hanoi is ready to accelerate its efforts in preparing its military for participation in UN peacekeeping operations, but has proven reluctant to jump into a close bilateral relationship with us on training, despite our efforts to convince the GVN to participate in PKO training through the Global Peace Operations Initiative. Part of Hanoi's problem is that it will be setting precedents in accepting our aid in the security arena that require difficult internal negotiations and decisions.

Challenges on Human Rights

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12. (SBU) While we share common views with the GVN in many areas, differences over human rights remain, and lingering fears that the United States supports the overthrow of the current regime continue to complicate the relationship. The existence of groups in the United States and elsewhere that continue to explicitly advocate regime change helps generate negative charges by conservatives here which stoke a lingering paranoia that we are indeed still "the enemy." Reassuring the GVN that the USG does not support separatist groups can assist in building a better human rights dialogue based on mutual trust.

¶13. (SBU) Serious deficiencies related to human rights in Vietnam include lack of freedom of speech, freedom of assembly and freedom of the press. One of our key objectives is to end the use of catch-all "national security" provisions such as Article 88 of the GVN criminal code, which prohibits "conducting propaganda against the State." The U.S. Mission tracks approximately 50 individual cases of prisoners of conscience and activists under various forms of house arrest or surveillance/harassment. We continue to call for the release of all prisoners of conscience and freedom of peaceful expression of political views, but where we see individuals expressing their political opinions, many of our government

interlocutors see "lawbreakers" trying to destabilize the regime.

¶14. (SBU) Perceptible progress is, however, being made. Key Vietnamese leaders are committed to enhancing governance establishing the rule of law, and combating corruption, all critical in building guarantees of individual freedoms. Vietnam's leading newspapers are much more aggressive in terms of the types of news they publish and their willingness to push back against censors. Only a few years ago, any protest resulted in swift and severe police action. Over this past year, various peaceful protests occurred, with one stretching out for a month before it was finally ended. With regard to religious freedom, Vietnam has made surprising progress, in large part due to the intensive engagement of Ambassador Hanford over recent years. More needs to be done, but the country no longer qualifies as a particularly severe violator of religious freedom under our legal definition and we removed the nation from the list of countries of particular concern in late **¶2006.**

Vietnamese Concerns About China

¶15. (SBU) While Vietnam's engagement with the United States will continue to broaden, China constitutes Vietnam's most important strategic preoccupation. This is not to say, however, that Vietnam is "choosing" China over the United States; the situation is much more complex than that. For starters, Vietnam's leadership is sophisticated enough to realize that relations with China and the United States do not represent a zero sum game; it is possible to have good relations with both. Each relationship also creates challenges. While China constitutes a vital and necessary commercial partner and former ally, it is also perceived as a significant and frustrating constraint to Vietnam's freedom on action. Chinese bullying of foreign companies in an attempt to compel them to cease oil and gas exploration efforts in the South China Sea serves to remind Vietnamese officials that while the Vietnamese may not approve of all U.S. policies, the same is certainly true of Chinese actions.

¶16. (SBU) On security matters, China looms large and there is an understandable caution with regard to China's potential reaction to enhancements in cooperation with the United States. U.S.-Vietnam cooperation in the security field is also constrained by an institutional conservatism born of concern over "peaceful evolution" as a real threat to the regime, as well as by an ingrained caution on the part of Vietnam's military in the face of relative power calculations vis-a-vis China.

Gradual Progress in Defense Cooperation

¶17. (SBU) Defense relations have nonetheless advanced at a measured pace, and have actually come quite far if viewed over the past decade. We are in year three of a new IMET program, and we now have professional military exchanges with the People's Army of Vietnam (PAVN) in a limited but growing range of areas including military law, military nursing, public affairs, search and rescue, meteorological/ oceanographic (METOC) prediction, and disaster preparedness. Since 2003, U.S. Navy ships have made five port visits to Vietnam, including most recently a November 14-18 visit by two mine countermeasures ships, the USS Guardian and the USS Patriot, at Haiphong port. Reaching our full potential for closer

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cooperation in defense activities, including multilateral peacekeeping, humanitarian assistance efforts and attendance at U.S. military schools is attainable, but will require time, persistence and patience, and a lot of hard work.

Counterterrorism Cooperation: Case-by-Case Basis

¶18. (SBU) Vietnam says the right things about the threat of global terrorism and has participated with us in modest cooperative activities. During President Bush's visit last year, the President and his Vietnamese counterpart pledged to increase cooperation to

halt the proliferation of weapons of mass destruction and related technology and materials in accordance with international and national laws and each country's capacities. The United States provides counterterrorism assistance to Vietnam by funding Vietnamese participation in counterterrorism-related training at the International Law Enforcement Academy (ILEA) in Bangkok, and through military-to-military exchanges with an emphasis on counterterrorism themes. Vietnam has signed eight out of thirteen UN terrorism conventions. Approval of the remaining five is winding its way through the cumbersome GVN bureaucracy, the delay explained in part by GVN concern with its capacity to carry out obligations under the conventions. Two of the remaining conventions are reportedly in the final stages of GVN approval, while the status of the other three remains unclear.

¶19. (SBU) Vietnam remains hesitant to embrace certain U.S. initiatives, such as PSI and GPOI, which could help us help Vietnam enhance its capability to fight terrorism. In part, this reluctance is based on a lack of recent precedent for military engagement beyond Vietnam's borders, and the bureaucratic requirements to gain approval for such initiatives also constitute a barrier in itself. You are well positioned to explain the importance of progress.

Fullest Possible Accounting

¶20. (SBU) Predating the re-establishment of diplomatic relations and normal defense contacts, U.S. military and DoD elements continue their efforts toward the fullest possible accounting of Americans missing from the Vietnam Conflict. Since 1988, the Joint POW/MIA Accounting Command (JPAC), a USPACOM subordinate element, has evolved to include forward Detachments in Vietnam, Laos, and Thailand/Cambodia. With its Vietnam Detachment (Det 2), it has completed 90 Joint Field Activities (JFA), which incorporated extensive research, interviews, analysis, and excavations in order to accomplish its mission. From its inception, Det 2 has forged good relations with its GVN counterparts. Ultimately, JPAC's efforts in Southeast Asia have resulted in accounting for 880 Americans previously listed as MIA; 1766 remain missing throughout Southeast Asia.

¶21. (SBU) An area of heightened bilateral cooperation is the undertaking of investigation and recovery efforts at sea. During the Vietnam Conflict, more than 400 American aviators were lost in the waters off the coast of Vietnam. While the majority of those Americans were declared dead and their remains deemed not recoverable, JPAC continues to conduct underwater investigation and survey activity when information obtained and validated has the potential to lead to a recovery. This is a resource-intensive endeavor. In December, 2006 the GVN gave its approval for the use of U.S. naval vessels to operate within their territorial waters in order to enhance JPAC's underwater investigations towards the identification of potential recovery sites.

Consequences of War

¶22. (SBU) In your meetings, you may hear references to "consequences of war" or "legacies of war" issues. This is the catch-all term that the GVN applies to a myriad of problems, including Agent Orange(AO)/Dioxin contamination, unexploded ordnance (UXO) and land mines from the war era, and the recovery of missing Vietnamese military personnel.

23.(SBU) While scientists and GVN officials continue to debate the human impact of the 80 million liters of AO sprayed over 2.6 million hectares and 3,000 hamlets in Vietnam, recent GVN-approved studies reveal that Dioxin contamination is not widespread, but rather is concentrated in roughly 20 "hotspots." Former U.S. bases, from which Operation Ranch Hand missions were staged and AO was stored, have soil dioxin concentrations exceeding concentration levels recommended by the U. S. Environmental Protection Agency (EPA) and World Health Organization, while other areas thought to be targets of heavy aerial spraying do not currently have soil concentrations

considered hazardous to health.

¶24. (SBU) Much has been accomplished recently in turning a new leaf on the AO/Dioxin issue with regards to government-to-government relations and changing the tone of the dialogue both in meetings and in the press. Beginning in 2006, the State Department and EPA provided USD 400,000 in technical assistance to the GVN's Office 33 and MOD's Chemical Command for remediation planning and immediate interventions at the Danang airport. Congress recently appropriated an additional USD 3 million in Economic Support Funds (ESF) for "dioxin mitigation and health activities," thereby helping Vietnam to remediate areas with demonstrably high levels of dioxin and assist those with disabilities. This follows four years of USG support to build the capacity of the Vietnam Academy of Science for analysis of contaminated soils and sediment. The USG is continuing to work together with the GVN, UNDP, Ford Foundation and other NGOs to discuss the next steps in the environmental remediation of three priority hotspots in Danang, Hoa Binh and Phu Cat airfields.

¶25. (SBU) Since 1989, USAID, through support from the Patrick J. Leahy War Victims Fund (LWVF) and other sources, has provided over USD 43 million to support NGOs and private voluntary organizations to develop comprehensive programs for people with disabilities. In addition, since 1993 the USG has been actively involved in assisting the people of Vietnam in overcoming the social and economic impacts of remaining UXO from the war. Vietnam was formally accepted as the 37th participant in the U.S. Humanitarian De-mining Program in June 2000, and the USG is now the largest donor of humanitarian assistance for mine action programs in Vietnam. The USG has invested over USD 37 million in a broad spectrum of programs not only to locate, remove and destroy unexploded ordnance and landmines, but also to address the UXO effects on health and livelihood of Vietnamese living in affected areas.

¶26. (SBU) Today, various NGOs conduct UXO and land mine clearance, risk education and victim rehabilitation. The USG has also donated a significant quantity of equipment to the PAVN to assist efforts in UXO and landmine clearance and return land to productive use. In 2006, the State Department provided USD 3.5 million to support UXO action and demining activities in Vietnam, almost a third of which went directly to PAVN in the form of donated demining equipment. In 2007, an additional USD 2.5 million will be provided to underwrite mine action related activities in Vietnam. In initial budgets, USG funds for demining have been cut substantially.

Adoption Issues

¶27. (SBU) Baby buying has emerged as a serious and troubling issue in Vietnam. We are working toward a new MOA with the GVN that will allow for adoptions to continue in limited categories. Ideally this MOA would allow for expansion of these categories as Vietnam makes progress on legal reform, Hague accession and increased transparency in the adoption process. We will push for Vietnam to pass new comprehensive adoption legislation and accede to the Hague Convention on Intercountry Adoption during 2008 and offer to provide Vietnam with technical assistance to meet this goal.

Management Issues: New Embassy Compound, APP Danang

¶28. (SBU) When we established diplomatic relations in 1995, we rented an "interim" building to set up initial operations. Thirteen years later, we're still there. When you visit the Hanoi Embassy, you will note that our facilities are overcrowded, inefficient, insecure, and just plain ugly. The long term solution involves the construction of a New Embassy Compound (NEC), a "priority" deferred for over ten years. U.S. interests in Vietnam dictate that we create an appropriate platform in Hanoi for our diplomatic activities in this increasingly important nation. OBO made a proposal to the GVN to purchase land for the NEC in a newly developed area in Hanoi; in retrospect, the offer has proved not to be in accordance with market conditions. In order to move the process forward, however, we need a counter-offer from the GVN that would provide the basis for further negotiations for the NEC land purchase.

¶29. (SBU) State Department budget limitations may delay the scheduled opening of APP Danang at least into FY2009. Although we

have not had formal negotiations with GVN officials regarding the opening of the APP, informal soundings indicate that they are quite receptive to the idea. We hope a way can be found to begin negotiations "in principle" with the GVN on new consulates. This will allow us to get necessary agreements in place before our side decides to begin allocating funds.

What You Can Expect

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¶30. (SBU) While the GVN recognizes the strategic importance of the United States in the region and the world, leaders here are not shy about raising the specter of "peaceful evolution," or to criticize U.S. actions it perceives as outside the multilateral system. They routinely chafe over U.S. criticism of Vietnam's record of human rights and religious freedom. Nonetheless, Vietnam's leaders are also pragmatic and recognize that Vietnam's own continued economic well-being, growth and security are, in large measure, inexorably tied to its relationship with the United States.

¶31. (SBU) You can expect your interlocutors not only to be articulate and well informed, but also to speak in terms generally supportive of growth in the bilateral relationship. As noted above, lingering suspicions still exist among conservatives in leadership about the development of closer ties with the United States, but the overall tenor is one of support and interest at a measured pace that will not upset the GVN's calibrated attempts to maintain balance among its other regional partners. Your upcoming trip to Hanoi will add momentum to our efforts to help translate those good feelings into measurable accomplishments in our bilateral relationship.

¶32. (U) Media interest in your visit is high, both among Vietnamese and international outlets. We are making arrangements for a press conference and, in addition to questions on the purpose of your visit and the results of your meetings, would anticipate questions on China, human rights and the arrest of American citizens and other suspected of membership in an anti-government organization.

¶33. (SBU) Again, we look forward to your visit and stand ready to do everything we can to make your return to Vietnam as productive as possible.

MICHALAK